



MICHIGAN DISTRIBUTORS AND VENDORS ASSOCIATION, INC.

120 N. WASHINGTON SQUARE • SUITE 110 B • LANSING, MI 48933 • (517) 372-2323 • FAX: (517) 372-4404 • MDVA@MDVA.ORG

Polly T. Reber, PRESIDENT

The Michigan Distributors and Vendors Association represents wholesale distributors of grocery and convenience store products. The wide array of products that wholesalers sell and deliver take a direct route from the manufacturer to the retail shelf except one: tobacco products.

Michigan's tobacco wholesalers must be specifically licensed by the state to sell cigarettes and tobacco, and must comply with all tax laws, regulations, and requirements of the industry. Tobacco wholesalers must collect a cigarette tax of \$20 per carton and a 32% tax on other tobacco products (OTP tax). Last year Michigan tobacco wholesalers collected close to a billion dollars of state tax revenue.

Since the early 1990s Michigan has had one of the highest cigarette and tobacco tax rates in the country, creating the incentive for wide-spread tax evasion of every kind. Michigan's businesses lose significant sales to illegal schemes and the state loses hundreds of millions of dollars in tax revenue.

The only solution to this problem that would be 100% effective is to reduce Michigan's high cigarette and tobacco taxes, cut all fees, forgo MSA payments, eliminate all regulatory requirements such as fire safety compliance, packaging regulations, sales restrictions to minors – get rid of it all. There will then be no incentive to circumvent the legal system and the playing field will be level.

If that is not an option, then the state has a responsibility and an obligation to aggressively enforce compliance with its tax laws, fees, and regulations. The 10,000 wholesalers and retailers across the state that comply with the letter of the law of this industry cannot possibly survive in a marketplace that tacitly accepts noncompliance. This industry has provided hundreds of thousands of jobs for decades and hopes to continue doing so. For this we need your support and your vote for SB 930. SB 930 provides for a comprehensive, aggressive statewide enforcement effort that will not only clean up the marketplace, but bring in additional much needed state revenues.

Thank you.



RICK SNYDER
GOVERNOR

STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

ANDY DILLON
STATE TREASURER

March 1, 2011

NOTICE REGARDING CIGARETTE ROLLING MACHINES

This Notice is to inform you that the operation of a machine that is loaded with loose tobacco and rolling tubes for the purpose of producing cigarettes constitutes "cigarette manufacturing" in Michigan. Anyone possessing, operating, or permitting others to operate such a machine is considered a "manufacturer" of tobacco products in Michigan and therefore must obtain a "manufacturer" license under the Michigan Tobacco Products Tax Act (MCL 205.421 et. seq.). Exempt from this requirement would be those who meet the exception for self-consumption under federal law.

Additionally, a person considered a "manufacturer," as described above, would be a "non-participating manufacturer" under MCL 205.426 and would be required to establish and fund a qualified escrow account, pre-pay an equity assessment fee, submit to the Michigan Department of Treasury a certification of compliance, and provide copies of the certification of compliance to the Michigan Attorney General. Failure to comply with any of these statutory requirements can lead to criminal and civil penalties, including revocation of any existing licenses.

You should also be aware that it is a violation of Michigan law to sell cigarettes that do not have a tax stamp affixed. Retailers who sell cigarettes without a tax stamp will be subject to penalty and seizure provisions within the Michigan Tobacco Products Tax Act.

If you have any questions regarding this Notice, please contact the Department of Treasury Tobacco Tax Unit at (517) 636-4630.

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RICK SNIDER
GOVERNOR

STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

ANDY DILLON
STATE TREASURER

April 21, 2011

Deas Roll Tobacco
1716 Longdale
Saginaw, MI 48638

Re: NOTICE REGARDING SEIZURE OF CIGARETTE ROLLING MACHINES

Dear Sir or Madam:

On 3/3/2011, the Michigan Department of Treasury provided your company with a Notice informing you that the operation of a cigarette rolling machine—that is, a machine that is loaded with loose tobacco and rolling tubes for the purpose of producing cigarettes—constitutes "cigarette manufacturing" in Michigan.

It has come to our attention that you are not a licensed tobacco manufacturer in Michigan and that you either possess, operate, or permit others to operate a high-speed, commercial cigarette rolling machine on your premises. As a result, the Department considers you to be engaged in the manufacture of cigarettes in Michigan.

In order to operate as a manufacturer of tobacco products in Michigan, you must first obtain a license to manufacture cigarettes from the Michigan Department of Treasury. Please note that if you do not have a manufacturer's license and you do have a cigarette rolling machine on your premises, the machine is subject to seizure under the Michigan Tobacco Products Tax Act (MCL 205.421 et seq.). In addition, note that an unlicensed person who manufactures and sells unstamped cigarettes in Michigan is subject to additional civil and criminal penalties.

If you have any questions regarding this Notice, please contact the Department's Tobacco Tax Unit at (517) 636-4630.

Sincerely,

Douglas R. Miller
Administrator
Special Taxes Division

